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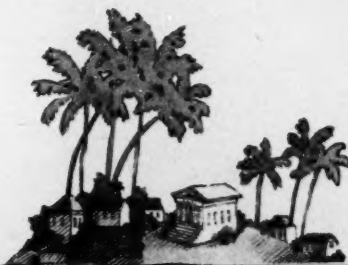
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October 6, 1986
Volume 138
Number 7



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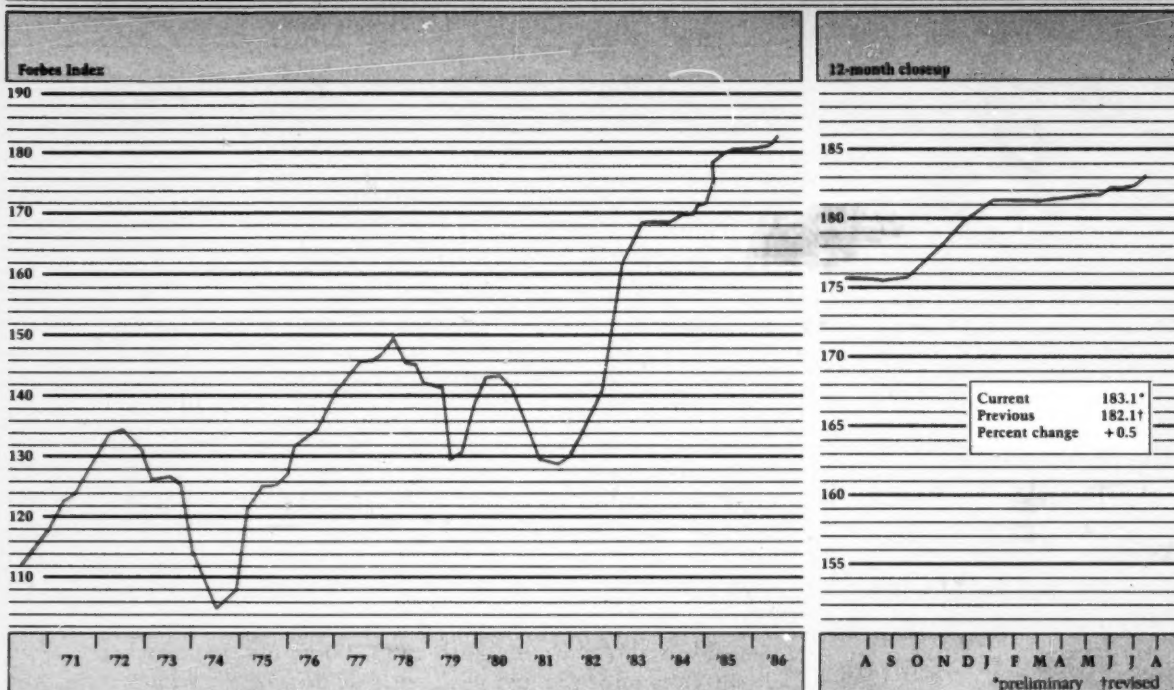
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Now is not the time to start a career in TV, right? Wrong.

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The Forbes Index



An early Christmas? The Forbes Index, spurred on mainly by consumer spending, rose 0.5% during the latest reporting period. Retail sales shot up 0.8% from July to August. Another important gain was a 4.1% rise in manufacturers' new orders, coupled with a 0.3% drop in inventories. The automobile inventory pipeline is likely to empty even more as Detroit's new round of sales incentives show up

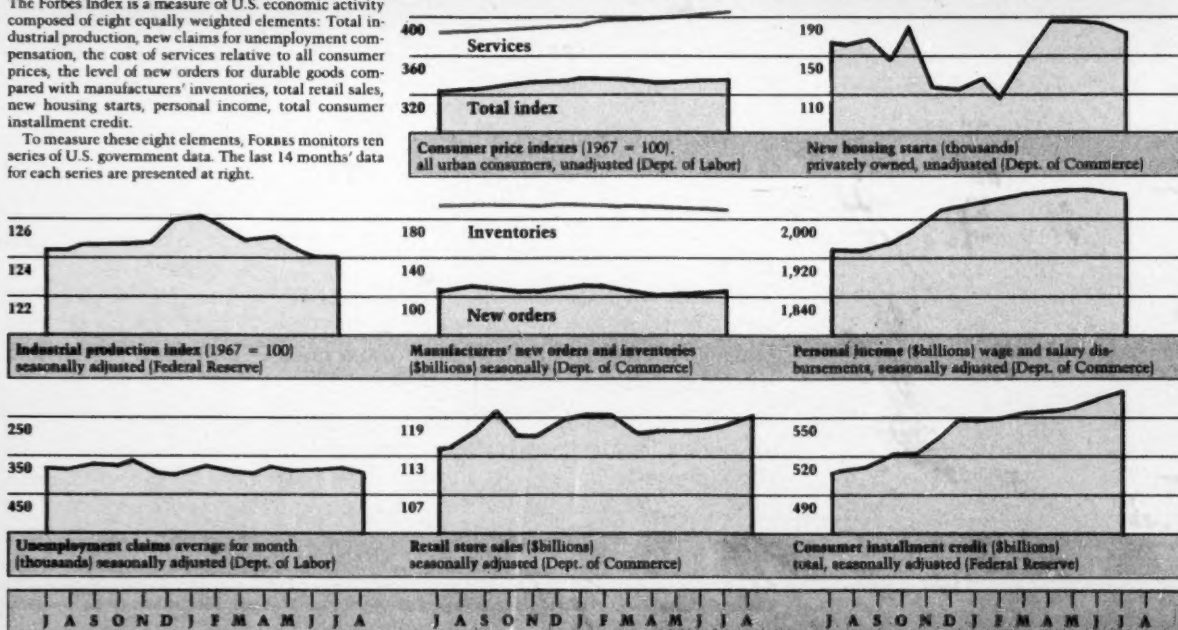
in the September figures.

The most important negative is new unemployment claims, which rose 1.9% from July to August. This is the fourth time in eight months that this statistic has increased. Unemployment levels continue to hamper the growth of the Forbes Index. The tax bill, once passed, should encourage job creation, but there will be a lag.

The Forbes Index Components

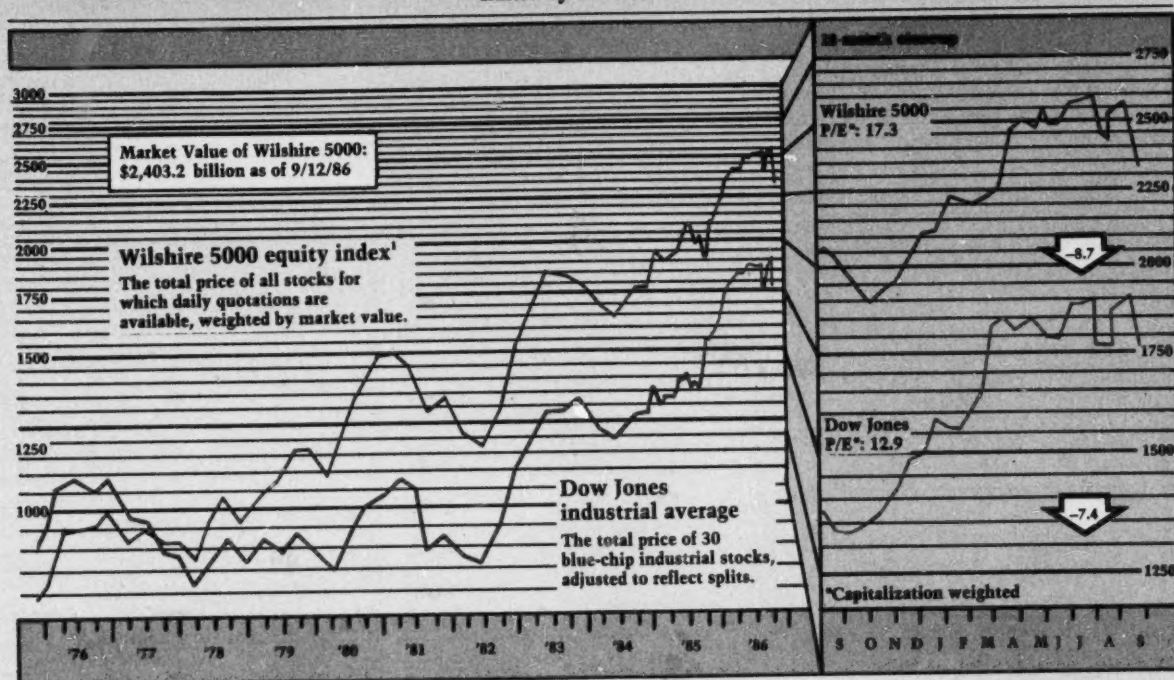
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Perspective on the selloff. Bad as the drop in the Dow industrials was in early September, down 7.4% in two weeks, broader measures were off even more sharply. The NYSE fell 8.6%, while the Wilshire lost 8.7%, or more than \$224 billion in market capitalization. Foreign stock markets were also hit with significant losses.

If bull markets climb walls of worry, there is an obvious corollary: Bear markets drop through reams of reassurance. There's still plenty of complacency. This break did

not cause sufficient panic to reassure some sophisticated observers who would like to see more optimism wrung out of the markets. A heavy selloff—a "correction," as Wall Street jargon has it—was widely anticipated, given the market's sustained drive over the past 21 months. Even with last week's decline, the Wilshire index still shows a gain of 24.3% over the past year. The Forbes Sales 500 is now selling at 15.6 times latest 12-month earnings, 12.7 times estimated 1986 earnings—not exactly cheap.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500 ²	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	-7.0	-6.8	-5.2	-6.6	-5.2	-8.8
in last 52 weeks	24.3	22.1	34.5	25.5	14.5	20.7

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility ³		P/E multiple		Dividend yield		Growth profile ⁴		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over \$40	under \$4
in last 4 weeks	-6.6	-2.9	-4.7	-4.0	-7.2	-5.4	-4.1	-4.7	-5.1	-5.0	-7.2	-4.7
in last 52 weeks	27.7	36.9	53.2	31.5	16.1	33.9	25.6	35.7	48.0	37.9	36.0	20.9

¹Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.

²Based on sales.

³A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.

⁴A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

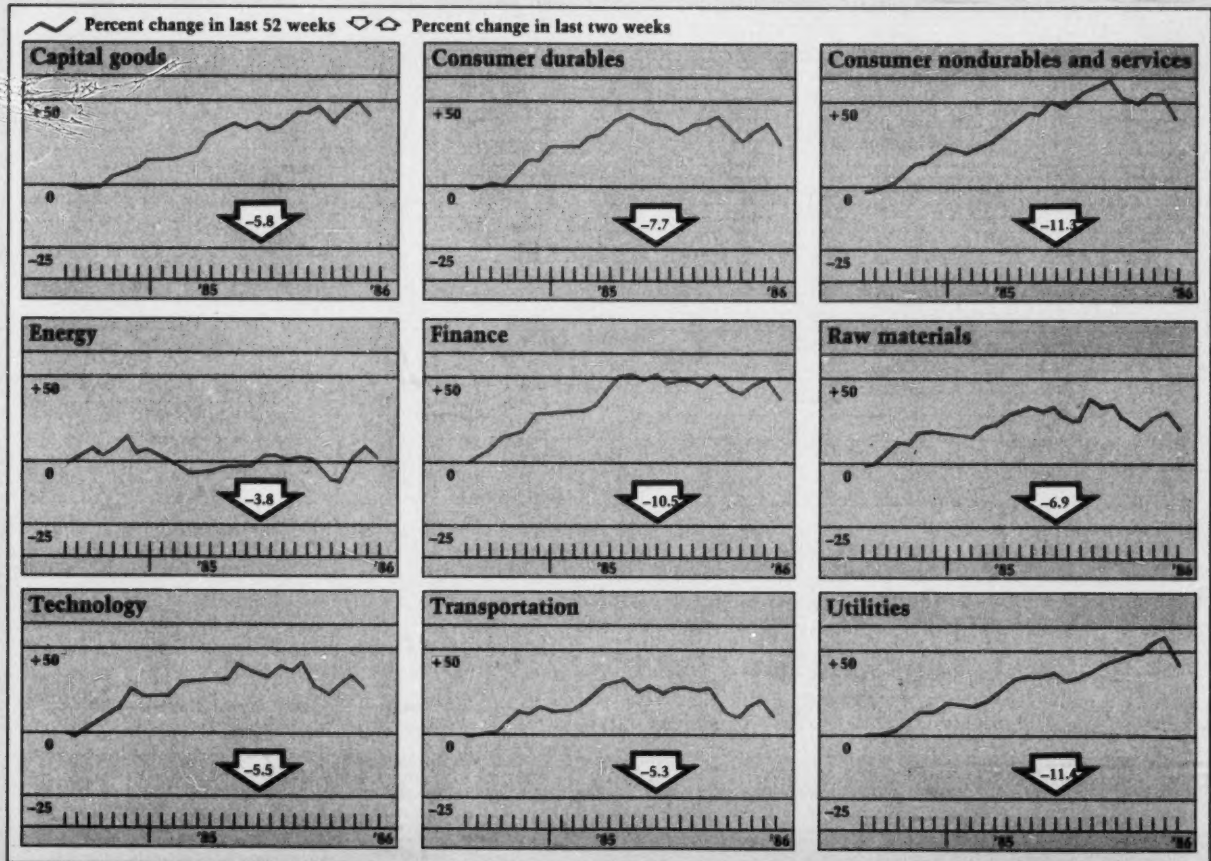
Note: All data for periods ending 9/12/86. Prepared by Wilshire Associates, Santa Monica, Calif.

Gay French

Where The Action Is

Real and unreal worries. An anxiety attack about interest rates was clearly a driving force in the recent unpleasantness on Wall Street. Stocks sensitive to interest rates were particularly hard hit—notably utilities, finance and consumer nondurables, all of which suffered double-digit losses during the two-week period. The persistence of real problems—the budget deficit and trade balance problems

remain unresolved—justifies some anxiety. But to the extent that psychological factors are at work, the anxiety seems excessive. Yes, oil prices are firmer, as are some commodities. But rampant inflation is not in the cards. When investors realize that a new bear market has not begun, they could well start bargain hunting among the shares beaten down in the panic selling.



What The Analysts Think

Fine-tuning with an ax. By now security analysts have a pretty good fix on third-quarter earnings and can forecast fiscal 1986 earnings with some accuracy. During the last

two weeks analysts made modest cuts in their 1986 forecasts for seven sectors but reduced sharply their estimates for transportation and energy shares.

Forecasting the Forbes 500			Rank based on change in estimate		Estimated 1986		% change in 1986 estimate	
Performance period	Average earnings per share	P/E		Sector	EPS	P/E	in 2 weeks	in 4 weeks
latest 12 months	\$2.71	15.6	1	Utilities	\$3.27	10.2	-0.25%	-0.30%
1986 estimates	3.33	12.7	2	Consumer nondurables	2.12	15.5	-0.34	-0.89
1987 estimates	3.93	10.8	3	Consumer durables	3.84	10.2	-0.40	-0.91
			4	Technology	2.54	14.3	-0.82	-2.43
			5	Finance	3.17	10.7	-0.84	-2.87
			6	Raw materials	1.43	16.2	-1.34	-2.57
			7	Capital goods	2.34	15.7	-1.83	-3.54
			8	Energy	2.13	14.8	-2.54	-5.80
			9	Transportation	1.53	17.2	-5.35	-7.01

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 9/12/86. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.